

STAT

Office of Legislative Liaison
Routing Slip

TO:	ACTION	INFO
1. D/OLL		✓
3. DD/OLL		✓
3. Admin Officer		
4. Liaison	✓	
5. Legislation		
6.		
7.		
8.		
9.		
10.		

SUSPENSE

16 March 84
Date

Action Officer	
Remarks:	

STAT

STAT

6 March 84
Name/Date

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OLL	X			
16	C/PAO				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20					
21					
22					
SUSPENSE		19 March Date			

Remarks

Please clear response with DDCI.

Executive Secretary
5 March 1984

Date

STAT

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, D.C. 20510

Executive Registry

84-939

STROM THURMOND, S.C., CHAIRMAN

CHARLES McC. MATHIAS, JR., MD.
PAUL LAXALT, NEV.
ORRIN G. HATCH, UTAH
ROBERT DOLE, KANS.
ALAN K. SIMPSON, WYO.
JOHN P. EAST, N.C.
CHARLES E. GRASSLEY, IOWA
JEREMIAH DENTON, ALA.
ARLEN SPECTER, PA.

JOSEPH R. BIDEN, JR., DEL.
EDWARD M. KENNEDY, MASS.
ROBERT C. BYRD, W. VA.
HOWARD M. METZENBAUM, OHIO
DENNIS DeCONCINI, ARIZ.
PATRICK J. LEAHY, VT.
MAX BAUCUS, MONT.
HOWELL HEFLIN, ALA.

VINTON DEVANE LIDE, CHIEF COUNSEL AND STAFF DIRECTOR
DEBORAH K. OWEN, GENERAL COUNSEL
SHIRLEY J. FANNING, CHIEF CLERK
MARK H. GITENSTEIN, MINORITY CHIEF COUNSEL

SUBCOMMITTEE ON SECURITY AND TERRORISM

JEREMIAH DENTON, ALA., CHAIRMAN

ORRIN G. HATCH, UTAH
JOHN P. EAST, N.C.
PATRICK J. LEAHY, VT.
HOWARD M. METZENBAUM, OHIO

JOEL S. LISKER, CHIEF COUNSEL AND STAFF DIRECTOR

2 March 1984

Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

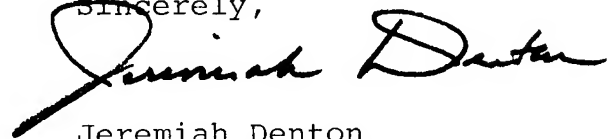
Dear Mr. Casey:

The attached article from the February 18, 1984 edition of The Nation contains several allegations and comments concerning CIA involvement in drug trafficking and associations with organized crime.

Please review the article and provide a response to the allegations and comments by March 19th.

Thank you for your attention in this matter.

Sincerely,



Jeremiah Denton
United States Senator

JD:ej
Enclosure



ARTICLES.

■ GOLDEN GATEWAY FOR DRUGS

The Miami Connection

About two and a half years ago, Penny Lernoux told us she wanted to follow her just-published Cry of the People with a book about banks. We assigned an intern, David Corn, as a full-time researcher on the project. When the first draft of her book came in, we were fascinated by some of the stories she had collected on Miami's booming drug scene and asked her to expand them into an article, with her banking material serving as a backdrop. She did so and here are the results. (Additional research, supervised by Eric Etheridge, was done by interns David Bank and L.A. Kauffman.)

—The Editors

PENNY LERNOUX

Miami International Airport. All year round, the mile-long concourse is jammed with sweating people who pound on ticket counters and push through customs gates. The worst crush is at the counters of the Latin American airlines, where crowds of Spanish-speaking passengers mill about, surrounded by wailing children, anxious relatives and enormous crates of gringo goodies—inflatable boats, television sets and refrigerators. At Colombia's Avianca, airport security guards are regularly called to clear a path through the mob and the boxes.

"You live in Colombia, huh?" says the Cuban exile taxi driver as we slam out of the airport. "I'm looking for some extra business. You wouldn't happen to have any coke for sale?"

When I say no, he floors the accelerator and jumps the light at the tollgate on the freeway. "I'm not going to pay their fucking toll," he says. "Those gringos, their rules are for them, not us." One hears that often in Miami.

'Casablanca on the Gulf Stream'

When the narcotics boom took off in the mid-1970s, Miami became the drug capital of the world. More than 70 percent of the U.S. supply flows through it. The traffic has brought drug-related crime (Miami's murder rate is the nation's second highest) and wealth in the form of "narco-bucks," which are laundered in legitimate as well as shady banks and financial institutions. The huge influx of hot dol-

lars has made Miami a rival to New York City as the nation's financial capital.

"Casablanca on the Gulf Stream," one crime expert calls the city. The intrigue and corruption resemble that in the movie, but the city is also a microcosm of U.S. society, with the same venal politicians and crime overlords pulling invisible strings. Spanish-speaking criminals add Latin spice to this down-home dish and have brought with them the corrupt practices endemic to politics in their native lands.

Four groups of players are prominent in the Miami action: Italian and Jewish crime syndicates; Cuban exile terrorist groups and the Central Intelligence Agency; Latin American drug dealers; and bankers.

The Cuba-Mafia-C.I.A. Axis

A high proportion of the Latin drug dealers are Cuban exiles. Actually, the Cuban drug connection goes back to Prohibition and the rise of Charles (Lucky) Luciano, one of the most brilliant organized-crime executives of the century. In the early 1930s he restructured the old Mafia into twenty-four family cartels. Luciano also brokered an *entente cordiale* between the Mafia and the Jewish mobs of Meyer Lansky, who became Luciano's lieutenant and later the financial genius of the U.S. underworld. With the end of Prohibition in sight, Luciano turned to heroin, which offered an attractive substitute for the liquor trade. His agents developed an efficient supply network in China, where Gen. Chiang Kai-shek had come to power with the help of the Shanghai heroin cartel.

Under dictator Fulgencio Batista in the 1930s, Cuba became the principal entry point of Luciano's heroin network. Lansky controlled the Cuban traffic as well as most of Havana's gambling casinos, but his base of operations was Florida. There he became friendly with Sicilian-born Santo Trafficante, who had earned his reputation as an effective organizer in the Tampa gambling rackets. Lansky came to trust Trafficante and in 1940 put him in charge of his interests in Havana. By early in the next decade, Trafficante had carved out an empire of his own, and he set up his son Santo Jr. with the Havana rackets. When the elder Trafficante died in 1954, Santo became Mafia boss of Florida. Unostentatious and self-effacing, he proved to be one of the most effective organized-crime leaders in the United States.

After Luciano's death in 1962, his number-two men, Lansky and Vito Genovese, were the logical successors. Genovese, however, was serving a fifteen-year sentence on a heroin-trafficking charge; Lansky, then in his 60s, was too old and too carefully watched to become more actively involved. Thus, Luciano's role went to Trafficante by default.

Fidel Castro's revolution in 1959 cost Trafficante and Lansky their lucrative Cuban operation. The loss was partially offset by Trafficante's control of Florida's *bolita* action. This Cuban lottery had become a big moneymaker because of all the anti-Castro refugees who came to Florida in the 1960s. Trafficante's organization recruited Cuban

Penny Lernoux is The Nation's Latin America correspondent. This article draws on In Banks We Trust, published this month by Anchor Press/Doubleday. © Copyright 1984 by Penny Lernoux. The author gratefully acknowledges the assistance of The Fund for Investigative Journalism.

February 18, 1984

The Nation

187

gangsters to run the lottery and serve as narcotics couriers and distributors. When the C.I.A. called for volunteers for the Bay of Pigs invasion, Trafficante mustered a respectable contingent. Shortly before the invasion, in 1961, he collaborated in a C.I.A. plot to poison Castro, and in 1963 he was involved in a bizarre boat raid against Cuba, sponsored by the C.I.A. and William Pawley, a wealthy financier who once owned the Havana bus system and several Cuban sugar refineries, and who had served as a special assistant to the Secretary of State in the Truman Administration.

The C.I.A. has its own links to the heroin traffic. In *The Politics of Heroin in Southeast Asia*, Alfred McCoy shows that during World War II, Luciano and Lansky secretly worked with the C.I.A.'s forerunner, the Office of Strategic Services, as part of the war effort. Supposedly for the same reason, O.S.S. agents in China became deeply involved in the heroin-funded politics of Gen. Chiang Kai-shek. After the war and Chiang's defeat by the Communists, opium production shifted to Southeast Asia, and several of the most important agents who had collaborated with the generalissimo moved to Miami.

One of those agents was Miami banker and lawyer Paul Helliwell, who had served as chief of special intelligence in China. When the O.S.S. was reorganized as the C.I.A., he was in on the ground floor. He was Colonel Helliwell in those days, and E. Howard Hunt was one of his agents. C.I.A. sources told *The Wall Street Journal* that in Asia, Helliwell frequently bought information with five-pound lots of opium ("three sticky brown bars"). After the war he returned to his native Florida, where he helped set up and run Sea Supply Inc., a C.I.A. front in Miami. Sea Supply shipped arms to Thai opium producers and to members of the Nationalist Chinese Army who had fled to Burma and were engaged in opium smuggling. During the buildup for the Bay of Pigs invasion, he served as the C.I.A.'s paymaster in Florida; he later opened secret accounts for Chiang Kai-shek's relatives and U.S. mobsters in a network of Miami and Caribbean banks. Among his business associates was Louis Chesler, a Florida real estate developer who had dealings with Meyer Lansky. Helliwell also served as legal counsel to a Panamanian holding company that controlled a Bahamian gambling casino connected with Lansky. According to a close associate, Helliwell kept the spook and gangster sides of his business separate. He cultivated the impression that the latter was a cover for the former when the reverse was probably closer to the truth.

After the Bay of Pigs disaster, the C.I.A. station in Miami continued to work with the Trafficante organization on plots to assassinate Castro. The head of the station, Theodore Shackley, was later transferred to Laos, where he helped organize the C.I.A.'s secret army of Meo tribesmen, who were deeply involved in heroin trafficking. In 1973, he replaced William Colby as chief of covert operations in the Far East when Colby was promoted to Director of Central Intelligence. To complete the picture, Trafficante himself showed up in Saigon in 1968, during a tour aimed at replacing Luciano's old China network with one based on Southeast Asian opium production.

The Cuban Connection

Preparation for the Bay of Pigs plot brought a host of C.I.A. agents to southern Florida. The agency recruited a force of 2,000 Cuban exiles and trained them in the arts of bomb making, demolition and murder. After the invasion failed, survivors of the exile army were in limbo. In the 1970s, when the U.S. demand for marijuana and cocaine took off, those veterans were naturals for the narcotics trade. A former commando leader who had trained them told a *St. Petersburg Times* reporter, "These people came out knowing how you do it. They found [drug smuggling] absolutely child's play when they started in over here, because [U.S. law enforcement] didn't have that type of defense. They didn't even need most of their expertise."

Washington's first inkling of a Cuban connection came in 1970, when the Bureau of Narcotics and Dangerous Drugs, predecessor of the Drug Enforcement Administration, cracked a major heroin and cocaine ring run by veterans of the Bay of Pigs invasion. By the mid-1970s law enforcement agencies were inundated by waves of exile-directed drug traffic. Other criminal activities flourished, usually with a political cover. Miami police said that many instances of crime in the exile community alleged to have been politically motivated, such as the kidnapping and fleecing of supposed Castro sympathizers, were purely mercenary shakedowns. "Ninety percent of the people in exile terrorist organizations like Alpha 66 and Omega 7 are extortionists," said a former member of the Dade County Organized Crime Bureau. "They have no intention of going back to Cuba—that's just a cover for the same old mob rackets. But people are afraid to challenge them because they're killers."

The record of Cuban terrorists is impressive: at least 200 bombings and 100 murders have been attributed to them



DRAWINGS BY ED KOREN

since Castro's revolution, far surpassing the carnage caused by Italy's Red Brigades or Libya's hit squads. Many Cubans who engage in terrorism also traffic in narcotics. According to crime historian Hank Messick, when the exiles began trafficking, they claimed their motives were patriotic: they were raising money to carry on the fight against Castroism. "Just as Lansky excused some of his crimes in the name of protecting Jews and then Israel, so did some Cubans hide their appetite for quick money behind the flag of freedom."

The cover story has worked. Because of their supposed hatred of Castro, the Cubans have literally been allowed to get away with murder. Despite their bloody careers, they move about freely, hold press conferences and rarely go to jail; when they do, their stay is brief. As Messick has noted, they are now "comfortably into their third decade as America's first and only home-grown international terrorist group."

One of the "patriots"-cum-crooks was Ricardo (Monkey) Morales, a self-admitted assassin and drug trafficker. The stocky, silver-haired mercenary worked briefly as a secret agent under Castro before immigrating in 1960 to Miami, where he was employed by the C.I.A. and the F.B.I. While in the F.B.I.'s pay, Morales went to Caracas, where he joined the Venezuelan secret police, DISIP, and served as chief of airport security. By Morales's account, the head of DISIP was a C.I.A. informant privy to a plot involving an Air Cubana plane that made weekly flights from Caracas. In court testimony and published interviews, Morales boasted of his part in planning the October 1976 bombing that cost the lives of seventy-three Air Cubana passengers, including the entire Cuban national fencing team. Morales was unrepentant about the operation, which he and Miami police insisted had been a C.I.A. job. "If I had to, I would do it over again," he told *The Miami Herald*. Nor did he regret his other escapades, which included murder, assassination attempts and some fifteen to twenty-five bombings in the Miami area. Monkey could afford such bravado: his intelligence connections protected him from prosecution.

Morales was deeply involved in Miami's drug trade—once he was caught red-handed overseeing a shipment of ten tons of marijuana—yet he was never convicted, again because of his "undercover agent" status. In one cocaine case in Miami, Morales, who had been granted immunity, admitted to a defense lawyer that he had murdered an anti-Castro activist and tried to execute another (the victim survived seventeen machine-gun bullet wounds). "He told me about the murder," the lawyer recalled to *The Herald*, "as cavalierly as if he were talking about a new pair of shoes." Morales apparently thought nothing of publicizing such deeds, since he told the same story to *The Herald*. At the time of the attempted execution, in 1968, Morales was a contract agent for the C.I.A.; he was working for the F.B.I. when he murdered Cuban exile Eladio Ruiz in broad daylight outside an apartment building in downtown Miami. After the execution—reportedly carried out as a warning to Castro sympathizers—Morales casually climbed into a waiting car and drove away. Witnesses reported that the car was followed by another, in which sat two well-dressed Anglos presumably

riding shotgun. The smooth-talking Cuban met his end during a gun battle in a Miami bar in 1982, the victim of the only law he respected.

Morales obtained his coke supplies from Col. Luis Arce Gómez, one of the organizers of the 1980 "cocaine coup" in Bolivia, in which military leaders heavily involved in the international narcotics trade seized power. For a time his country's Interior Minister and now in exile in Argentina, Arce Gómez once employed Nazi butcher Klaus Barbie to set up death squads to terrorize the Bolivians and protect the fleet of airplanes Arce Gómez used for smuggling cocaine. Evidence suggests that Barbie himself may have visited Miami sometime after the coup to negotiate a guns-for-drugs deal.

Other clients of Arce Gómez included Bay of Pigs veterans Francisco Condom-Gil, Rafael Villaverde and Frank Castro, who ran a coke ring in Miami until 1982, when police, acting on information supplied by the trio's former partner, Monkey Morales, arrested them. Like Morales, those men had moved freely in the international milieu of terrorism and drugs. Allegedly, Condom-Gil was an important Miami contact for the "French connection" heroin ring in the 1960s, and Villaverde was employed by the notorious former C.I.A. agent and arms trafficker Edwin Wilson to knock off the enemies of Libyan strongman Muammar el-Qaddafi. Castro is believed to have masterminded a 1976 meeting in the Dominican Republic, at which Cuban exile terrorist groups drew up a hit list. Reportedly on that list was the name of Orlando Letelier, Foreign Minister in Salvador Allende's government, who was assassinated by a car bomb in Washington in 1976. Although the F.B.I. botched the Letelier case, independent investigations proved that Chilean dictator Augusto Pinochet had bankrolled a neofascist group known as the Cuban Nationalist Movement, now Omega 7, to carry out the murder.

As evidenced by John Dinges and Saul Landau's *Assassination on Embassy Row* and their articles in *The Nation* [see "The Chilean Connection," November 28, 1981, and "The C.I.A.'s Link to Chile's Plot," June 12, 1982], the C.I.A. did its best to stonewall the F.B.I.'s Letelier investigation, presumably because of the agency's close ties to the Pinochet regime, which it had helped bring to power. C.I.A. complicity would also help explain the F.B.I.'s reluctance to follow through on the case and its repeated refusal to admit that the assassins were involved in the drug trade. According to Miami police sources, one of the indicted accomplices in the killing, Guillermo Novo, had worked as a "mule" (courier) for well-known Cuban dealers. In 1977 Novo went into hiding in Miami's Little Havana section. A year later police spotted him in a nightclub owned by one of the godfathers of the Cuban mafia. Soon after, they arrested him, along with a suspected trafficker with links to the Mexican heroin trade in whose apartment Novo had been living. A third occupant of the apartment, Alvin Ross Díaz, also indicted for the Letelier killing, was arrested carrying a bag of cocaine.

In an article in "Parapolitics/USA," a now-defunct newsletter on international crime and terrorism, John Cummings reported that Miami detectives were perplexed by the F.B.I.'s

February 18, 1984

The Nation.

189

apparent indifference toward Novo and Ross Diaz, although they were wanted for questioning in the Letelier affair. Even more perplexing was the revelation that an F.B.I. informant had provided Novo with a series of disguises and a false passport and driver's license while he was hiding in Miami. The F.B.I.'s explanation for ignoring the drug trail to Little Havana was curious: it didn't want the case "messed up with dope." A more accurate explanation is that an investigation would have revealed the C.I.A.'s—and perhaps the F.B.I.'s—use of drug dealers as informants and for terrorist missions.

As Cuban exiles point out, in their culture "appearances are more important than reality." That, they say, is why so many drug traffickers play the anticommunist game. Or as drug trafficker Villaverde put it to *The Herald*, "I am a friend of the terrorists. For me that's not bad when you do it in the defense of liberty." Large sums of money supposedly donated by the Cuban community to the legal defense funds of renowned terrorist patriots may actually come from the drug traffic. According to Miami police, that was the source of the \$400,000 raised to post bail for Novo and Ross Diaz.

Cummings explains that for years the F.B.I. claimed it could not crack terrorist organizations like Omega 7 because they were popular in the Cuban community and informers were hard to find. But officers with the Dade County Organized Crime Bureau call that idea "crap." They say that witnesses to crimes committed by those groups are reluctant to testify because they fear being killed—not by outraged patriots but by ruthless gangsters. That the F.B.I. knew this is shown by its recent use of anti-organized-crime statutes to prosecute Eduardo Arocena, the alleged leader of Omega 7, and his chief lieutenant for racketeering.

Whatever the F.B.I.'s shortcomings, full responsibility for failure to stop the Cuban terrorist mafia cannot be laid at its door. F.B.I. agents say privately that the Bureau is an instrument of the executive branch and that enforcement policies change with the politics of the man in the White House. Under Carter, for example, there was neither a

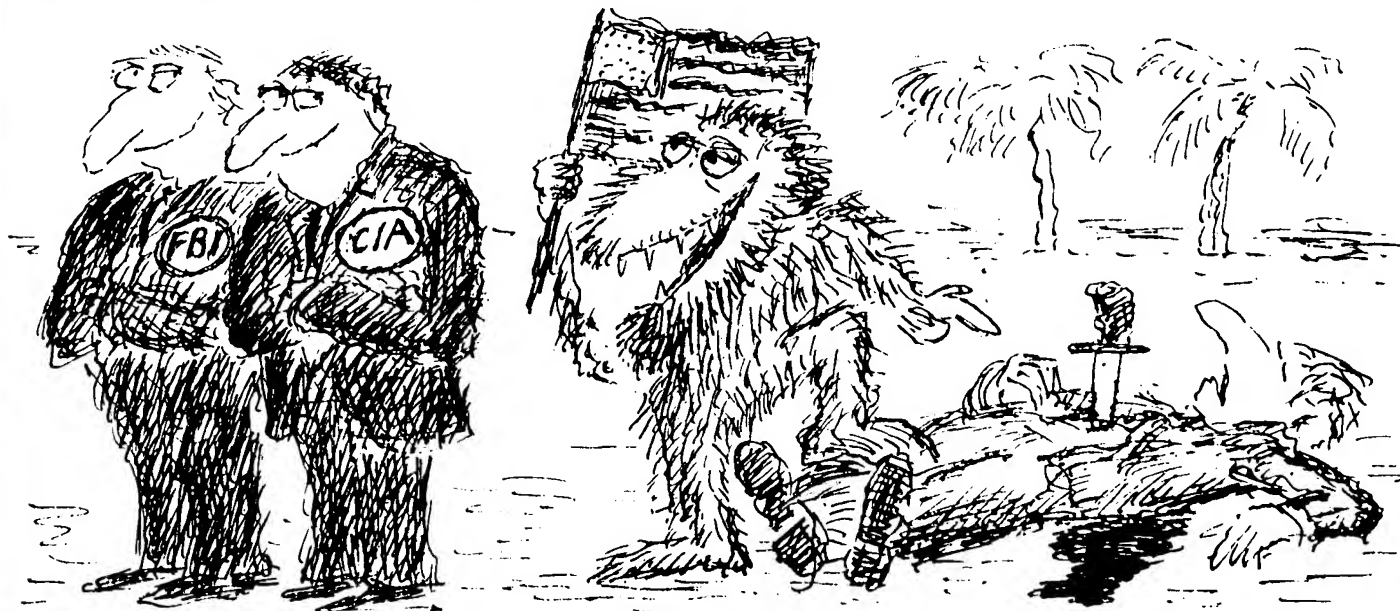
crackdown on terrorists nor an encouragement of them, tacit or otherwise. That waffling reflected the Administration's halfhearted attempts to improve relations with Havana. Reagan, in contrast, has turned back the clock to the early 1960s by unleashing the exiles against Castro and Nicaragua's Sandinistas. *Contra* training camps operate openly in southern Florida; one camp commander even hosts a weekly Miami radio show. And Radio Marti's anti-Castro propaganda will soon be broadcast by the Voice of America to Cuba, at an annual cost of \$10 million. But if anti-Castroism is in vogue, it is doubtful that the "heroes" of the Bay of Pigs are a threat to the Cuban President. They have become so enmeshed with drugs that many of them have been or are now in jail.

A Drug Economy

The high visibility of Cubans and other Latins in Miami's drug traffic enables Anglos to blame them for all of it. But Miami would not be the nation's gateway for drugs without the acquiescence of the city's civic and business leaders. "We bankers are always saying how Miami has become an international banking center like London or New York," observed the chairman of a Florida bank. "But that's a lot of hogwash. The reason so many banks have opened offices here is because of the hot money, particularly drug money."

A prominent lawyer decries civic apathy. "There is no real interest here in preserving the quality of life," he told *Time*. "I don't think there is any real community outrage about the drug trade. When I urge the junior lawyers here to join civic groups instead of playing racquetball, they say they're not interested."

Miamians who do speak out, like insurance executive Arthur Patten, a former City Commissioner, are vilified by their fellow citizens. Municipal leaders called Patten a coward and told him to shut up after he made negative comments about the city to the press. He lost business from hotel owners, who were annoyed by the bad publicity he generated, and eventually he moved to North Carolina. But playing ostrich won't solve the problem. As *The Miami*



Herald has repeatedly said, "Reality, not image, is South Florida's problem."

A Florida grand jury that studied crime in Miami agreed:

We recommend that the hard issues begin to be addressed. We find that we have not fully committed ourselves as a society to eradicate narcotics, and perhaps we never will. Our local economy apparently has benefited enormously and our culture has become tolerant of marijuana and even of cocaine. Yet we ask the small numbers of law enforcement personnel assigned to narcotics interdiction to stop a supply for which we create a demand. That is clearly a costly hypocrisy.

Charles Kimball, a real estate economist who watches foreign purchases of South Florida property closely, estimates that nearly half the \$1.5 billion that foreign companies invest annually in Miami real estate comes from illegal sources: drug dealers, organized-crime syndicates, foreign criminals and international swindlers. The construction industry in Miami would be on the rocks were it not for shady investors. The same can be said of retailers of luxury items such as yachts and airplanes, and of accountants, lawyers and other professionals who have fattened on the narcotics traffic. In an article in *Inquiry*, a spokesman for the U.S. Customs Service, one of five Federal agencies trying to stop the drug traffic, said: "You know what would happen if we really did our job here? If we were 100 percent effective, we would so drastically affect the economy that we would become the villains."

Dodge City South

Crime is a major concern among Miamians. Instead of talking about the weather or last night's TV program, neighbors discuss the latest robbery or murder on their

street. Everyone has a personal horror story—getting caught in the crossfire of a gangland shooting at the local shopping center, watching in terror as the occupants of two cars spray each other with machine-gun bullets at a stoplight. Perhaps the most bitter reaction was that of a Colombian banker. During his first week in Miami, the banker's briefcase was stolen from under his legs while he was paying his bill at the luxurious Omni Hotel. Then the hubcaps on his car were stolen. One night he and his wife went out to dinner, leaving their newborn son with their Colombian maid, who had been with the family for years. Their house had two different alarm systems, one of which was connected to the local police station. Upon returning home, the couple discovered the maid's body floating in the swimming pool; their baby was safe in his crib, but his clothing was drenched, as if he had been in the pool. The banker swore that if one more thing happened to him or his family, they would pack up and return to Bogotá, once considered the most dangerous city of its size in the hemisphere.

The Miami Herald is full of such stories from people who want to know why "the city of my dreams" has become Dodge City South. In the last decade, the homicide rate in South Florida has jumped more than 400 percent, making Miami one of the most dangerous cities in the United States. "When you see a helicopter, you know they've found another body," said a college professor, whose backyard was used as a murderer's dumping ground several years ago. The corpse was of a young Colombian man who had attended the birthday party of a neighbor's daughter. Like most crimes in Miami, the murder was never solved, and to this day the professor and his neighbors have no idea why the man was killed, "except that he was a Colombian."

Since 1980 the Miami police force has been enlarged, and there are more judges on the criminal circuit; even so the city cannot cope. "In an average month we file 2,000 felony cases after screening," said George Ray Havens, head of the Miami Criminal Investigative Division of the State Attorney's office. "If every individual charged was granted a jury trial, we wouldn't be able to file another case for at least three years." The Criminal Investigative Division has twenty-two agents and receives nearly 500 requests for investigations every month. "If the case is complicated—say, a financial racket—we just can't handle it," said Havens. A lawyer in the U.S. Attorney's office cited in *Harper's* said that even if no cases were added, it would take the sixty-three full-time lawyers under him nine years to finish those already filed.

The Miami police are reluctant to accept drug cases because they have no more room to store the evidence, even after burning tons of marijuana in the Florida Power and Light Company's furnaces. The Key West sheriff's office finds itself most days with a stash worth \$4 million on its hands; the sheriff's men spend most of their time protecting it from thieves. Convicted drug dealers are jamming Florida prisons: between 1978 and 1980 paroles jumped 50 percent as burglars, armed robbers and other criminals were turned loose to make room for them. Still, most drug traffickers, even the biggest fry, serve only a short time: the average



February 18, 1984

The Nation.

191

sentence is less than two years, with eligibility for parole after a year.

About all the overburdened authorities can do about the murder rate is to keep a body count, and that is a challenge. So many corpses pile up at the Miami morgue that since 1981 the Dade County medical examiner has had to rent a refrigerated hamburger van to house the overflow. "If you stay here, you arm yourself to the teeth, put bars on the windows and stay at home at all times," Arthur Patten told reporters. "I've been through two wars and no combat zone is as dangerous as Dade County."

Gun sales are rising, as are purchases of security devices—alarms, locks, floodlights, guard dogs, surveillance systems. In 1981, gun sales in Dade County were up approximately 46 percent over the previous year. "Most customers are people like your mother," said the owner of a gun shop in *Time*. "They're just average, everyday folk who want to continue to live." Even those who favor stricter gun-control laws doubt they would have much effect in South Florida. "If you take guns away, they'll use knives," a police captain told *Maclean's*. "If you take away knives, they'll use a hammer. Hammer, saw. Saw, machete. Pretty soon we'll be back to hands."

No one is immune from crime. The regional commissioner for the Customs Service was mugged and robbed outside a Miami disco. A Federal judge's life was threatened by drug defendants. A Florida drug gang let out a \$200,000 contract to hit men: their job, to kill all the State's witnesses before the gang's upcoming trial. Governor Robert Graham told me that after he visited Colombia seeking the cooperation of local authorities to stop the cocaine trade, a Colombian mob dispatched an assassin to Tallahassee to kill him.

The Colombian Brethren

The Colombian mafias are much like the Sicilian original, tightly knit organizations based on blood ties. The penalty for betraying one's family is death; the sentence is usually carried out by a Colombian-based hit man who takes the morning flight from Bogotá to Miami and returns that night. Long the world's leaders in counterfeiting U.S. dollars, Colombian racketeers have become more sophisticated in recent years, mingling drugs, stolen securities and counterfeit bills in giant money-cycling operations which span three continents. They entered the U.S. cocaine market as suppliers, but since the mid-1970s they have taken control of most of the distribution. (Cubans still dominate the marijuana traffic.) The Latin mafias are organized like multinational corporations, with separate divisions for imports, transport, distribution and finance. A major smuggling operation has 100 to 200 employees in Miami, usually illegal aliens carrying false passports. The Florida organizations are supported by larger ones in the producing countries, where complaisant politicians are often paid to look the other way. Some 200,000 peasant families in four countries depend on the traffic for their livelihood.

Given the international scope of the traffic and the huge sums of money involved, it is ridiculous to believe that any

THE PEOPLE OF NICARAGUA NEED YOUR HELP



In this poor country, U.S.-backed "contras" are burning homes and destroying crops. There are severe shortages of the parts and tools people need to grow their own food. Help Oxfam America fill a ship with these urgently needed tools.

- ☐ Enclosed is my donation of \$ _____
- ☐ I want to organize an event. Send me more information.

**Oxfam
America**

115 Broadway
Boston, MA 02110

(617) 482 1211

Name _____

Address _____

City/State _____ Zip _____

CENTRAL AMERICA IN BULK

The January 28 Special Issue of *The Nation* is ideal for classroom use, for distribution to the membership of your organization or for passing along to friends.

The special rates quoted below are good only for orders received by February 15, 1984. So send in the attached coupon for your bulk order today.

Bulk Order Price List

1-9 copies	\$2.00 each
10-99 copies	\$1.00 each
100-499 copies	\$.75 each
500 or more copies	\$.50 each

Prepayment is required (price includes postage).

Send me _____ copies of *The Nation* Special Issue on Central America. I enclose \$ _____ payment in full.*

Name _____

Address _____

City _____ State _____ Zip _____

Phone # _____

* Mail check or money order to Nation Bulk Sales, 72 Fifth Avenue, New York, NY 10011. (U.S. currency only. N.Y. State residents please add appropriate sales tax, N.Y. City 8 1/4 percent).

police force can interdict the flow. No matter how many tons of narcotics are seized or how many people are arrested, there will always be more where they came from. Federal District Judge Alcee Hastings, who is frequently criticized for the lenient sentences he gives in drug convictions, explains that most of the people who come before him are low-level traffickers. "Drugs are tearing the hell out of the social fabric of America, but we're not catching the right people," he told *The Herald*. "They're arresting a mule a minute, an offender an hour. When they start catching bankers, judges, senators . . . you'll see who's tough. The ringleaders are in a lot of trouble if they come before me."

The D.E.A.'s Numbers Game

In 1981 *The Miami Herald* printed the results of its four-month study of the Drug Enforcement Administration; it went a long way toward explaining the basis of Hastings's complaint. In addition to finding the usual bureaucratic infighting, the study showed that the agency's principal weakness is its obsession with statistics. To make the D.E.A. look good, agents are ordered to concentrate on quick seizures and arrests. They are often occupied for days, setting up relatively small buys that yield no new information and no important indictments. "All of us in law enforcement have got to get away from this attitude that our sterling successes involve the number of tons of marijuana and cocaine we can seize," James York, commissioner of the Florida Department of Law Enforcement, told *The Herald*. "A ton of cocaine isn't worth a damn. You've got to penetrate the organizations." Assistant U.S. Attorney Robert Perry added, "Street operations are dangerous, disruptive, labor-intensive, expensive and frequently unsuccessful."

Getting the high-level traffickers entails long, tedious investigations for which few D.E.A. agents are trained and on which they receive little support. Example: In 1981 a two-month investigation by Operation Greenback, an interagency task force, led to the arrest of Isaac Kattan, a Colombian and the biggest drug-money launderer ever caught in Florida. Kattan was an impressive catch, but he was only a middleman. Others in the task force, particularly Internal Revenue Service agents, wanted to delay his arrest, hoping he would lead them to his bosses, but the D.E.A. insisted on nabbing him for dealing in cocaine. "They got twenty kilos of coke but not much else," said a member of the task force. "We found that chopping off Kattan's head didn't kill off the organization; another head popped up to do the same things. If the D.E.A. hadn't been in such a hurry to make an arrest, maybe we would have got the organization."

The Government Accounting Office criticizes the Justice Department, which oversees the D.E.A., for not "taking the profit out of drug trafficking." In a 1981 report, the G.A.O. pointed out that although Congress passed a law in 1970 enabling the government to seize the financial assets of criminals, the D.E.A. "simply has not exercised the kind of leadership and management necessary to make asset forfeiture a widely used law enforcement technique." As of 1980, the Justice Department had obtained a mere \$2 million in forfeited assets, the G.A.O. found, and most of

those were items that drug traffickers consider expendable, like boats and airplanes.

Congress passed the forfeiture law, expecting the Justice Department to seize the U.S. and foreign bank accounts of the top-level dealers. But that requires an entirely new approach by the D.E.A., which continues to see narcotics enforcement in simplistic cops-and-robbers terms. Observed George Havens, "The attitude of the average bureaucrat is: big cases, big problems; little cases, little problems; no cases, no problems. People don't want problems."

It is also unhappily true that with so many narcobucks floating around Miami, corruption among police agents, judges and others is inevitable. One-fifth of an entire division of the Dade County police force was indicted for taking payoffs and engaging in drug trafficking. Two officers were charged with working with a known drug racketeer. Jeffrey Scharlatt, a former group supervisor of the D.E.A.'s Miami office, pleaded guilty after being indicted by a Federal grand jury on corruption charges. Florida's Attorney General, Jim Smith, said in an interview on *60 Minutes*, "Frankly, I lie in bed sometimes at night and it . . . just scares me, the level of corruption we may have in Florida."

Terrorists and Politics

What role does drug money play in South Florida politics? The evidence is inconclusive, but the clout of Cuban exile terrorists, some of them having narcotics connections, suggests at least an indirect influence. However, their anti-communist cover, President Reagan's support for exile causes and local politicians' awareness of the importance of the Hispanic vote (38 percent of the electorate in Miami) have obscured the extent of the terrorists' penetration.

That Reagan is perceived as the Cuban exiles' friend in Washington came up in a rather odd context in the recent Miami mayoral race. The Democratic candidate, incumbent Maurice Ferre, appealed to blacks and Anglos by telling them that a vote for his opponent, Xavier Suarez, would enable Reagan to "take control" of Miami. Suarez is a Cuban exile.

Ferre is of Puerto Rican descent and is supposedly unsympathetic to the Cubans, but even he finds it expedient to appeal to the Cuban terrorists who wield power in Little Havana. Re-elected to his sixth term, Ferre calls the influence of terrorists in Miami politics "unavoidable." "It just happens to be part of political life," he told *The Herald*.

Last year, the Mayor led a delegation to Venezuela to request the release of Orlando Bosch, who was being held in a Caracas jail, charged with participating in the Air Cubana bombing in which Monkey Morales was involved. Although Bosch is probably the most notorious terrorist in the Cuban exile community, Ferre reasoned that associating with him would be popular with the exiles.

Nor did Ferre have any compunction about associating with Letelier hit-squad member Guillermo Novo in a campaign to raise funds for Bosch's release. Novo was one of eight terrorists listed on the campaign's official letterhead; all have been indicted and some, like Novo, have drug connections. Not to be outdone, Suarez dipped into his campaign

February 18, 1984

The Nation.

193

treasury to contribute to the legal defense fund of Eduardo Arocena, the alleged leader of Omega 7. In providing such support, said Arthur Nehrass, head of the Dade County Organized Crime Bureau, politicians enhance the terrorists' stature in Miami. "Respectability is an important weapon in the terrorists' arsenal," he told *The Herald*.

Last year, Miami City Commissioner Demetrio Perez proposed a plan to honor a Cuban terrorist who was killed in Paris when a bomb he was assembling exploded. In 1982 the terrorist organization Alpha 66 gained respectability when the Miami City Commission gave it a \$10,000 grant to arrange temporary housing for the Mariel refugees. Ferre defended the grant, saying that Alpha 66 had "never been accused of terrorist activities inside the United States." Former Acting Chief of Police Adam Klimkowski said in *The Herald* that Ferre told him he had heard "quite a bit [about] bombings coming up" in the Miami area but refused to provide any details. "I was flat irritated," Klimkowski said. "Here the Mayor was saying he had information [on terrorism], and he wouldn't divulge it to me."

The career of former City Commissioner Manolo Reboso illustrates the shadowy line between politics and crime in Miami. The son of Batista's military attaché in Washington, Reboso was an intelligence officer in the Bay of Pigs operation and later represented the Miami interests of Nicaragua's Somoza dictatorship. He also had business ties with the Miami-based World Finance Corporation (W.F.C.), which laundered proceeds from drug sales. One of his principal campaign fund-raisers was later indicted for embezzling from a Texas bank that was a subsidiary of W.F.C. In 1981 Reboso ran for mayor amid accusations by Monkey Morales—never proved—that drug traffickers were financing his campaign. Like Ferre, Reboso defended the city's patriot terrorists when he was City Commissioner.

In late 1983 officials of a Venezuelan government bank charged that Reboso had failed to account for more than \$9 million of the \$36.5 million it had loaned him to construct a Miami high-rise which was to have housed the bank's offices. The deal had all the markings of a Miami scam, including offshore front companies and a cooperative banker, who actively pushed Reboso's requests for unsecured loans. The claim was eventually settled out of court.

Bank Laundromats

If the role of drug money in politics is murky, it is well documented in the banking industry. Miami is the Wall Street of the United States' \$80 billion drug traffic. There are more than a hundred banks in the city representing two dozen countries. The most prestigious banking address is Brickell Avenue, a block from Biscayne Bay, where gold-and-black skyscrapers rise incongruously above the palm trees. Coral Gables, where a hundred multinational corporations have their Latin America headquarters, is also considered a chic location. Architecture tends to reflect management style: Citibank's Miami headquarters is housed in a sleek glass building embellished with ultramodern chandeliers; Credit Suisse's offices gleam with chrome and mirrors. In contrast, the Republic National Bank, which is

owned by Cuban exiles, operates out of an old-fashioned structure decorated with middlebrow Latin American art. Then there are the fly-by-night operations, some of which look like converted hamburger stands. The initial capitalization needed to obtain a bank charter in Miami is only \$1.5 million (in a similar-size Ohio city, say, it can be as much as \$5 million). If a bank attracts even a small fraction of the \$4 billion deposited by Latin Americans each year, the profits are enormous.

When bankers know that money is hot, they accept it only for deposit in non-interest-bearing accounts, or change it into cashier's checks, which usually aren't returned to the bank for collection for months, providing another pool of interest-free funds. Some banks launder drug money on a regular basis, earning up to 3 percent in commissions on it and lending it out at a fat profit as well.

Unprofitable banks are easily sold; buyers, usually foreigners, are willing to pay two to three times the real value of a bank simply because it has a Florida charter. The smaller the bank, the more dubious the buyers it is likely to attract. "In Miami they have a saying in Spanish: 'The sharks are on the streets, not in the sea,'" said Richard H. Dailey, president of the small Dadeland Bank, who started his career in California. "You wouldn't believe how many people come in here to ask if the bank is for sale. This would never happen in San Francisco."

"We used to have the same problem," agreed Aristides Sastre, president of Republic National Bank, "but it's become less prevalent because we've grown so much. I don't know anywhere else in the United States where people just walk in off the street and offer to buy the bank."

In addition to foreign and locally controlled banks, Miami has forty-two Edge Act corporations (foreign and out-of-state bank subsidiaries that deal exclusively in over-



seas transactions) and another forty-eight foreign bank agencies and representatives. Indeed, banks in Miami are more plentiful than supermarkets—one to a block. The out-of-state and foreign bankers claim that their institutions have been attracted to South Florida by the area's explosive growth, its Latin American trade or the need to service customers like the multinational corporations in Coral Gables. But according to a Treasury Department report, at least a third of the banks in Miami are drawn by the huge profits to be made from laundering drug money. As many as forty banks have neglected to report cash deposits of \$10,000 or more, as required by law. The majority of those are small banks, known to cops and crooks as Coin-O-Washers. At least four such banks are controlled by drug dealers, according to local and Federal law enforcement officials. The advent in 1981 of international banking facilities in Florida, subsidiaries which operate under less stringent controls than their parent banks, has contributed to the free-for-all. Predicted a senior bank official in New York City at the time: "It's going to be the biggest laundering game in history."

Because retail sales of marijuana, heroin and cocaine are made on the street, dealers amass large numbers of small bills. The banks feed bales of them into high-speed money counters or simply weigh them (300 pounds of \$20 bills equals \$3.6 million). A common sight in Miami banks is a Latin lugger several shopping bags crammed with cash to a teller's window. Professional middlemen prefer to deliver cardboard boxes of cash to a bank's back door. If there are any questions, the courier will often abandon the money. When a Miami teller asked a woman why the money she carried in a shopping bag had a fishy odor, she dropped it and fled, leaving behind \$200,000.

While the Federal government has tightened bank reporting regulations for large cash transactions and has arrested a half-dozen Miami bankers, laundering operations still

flourish. Since the drug boom began, the Florida banking system has consistently registered staggering annual surpluses of cash—on average, \$6 billion to \$8 billion a year—more than twice the surplus cash reported by banks in the rest of the country. Financial experts calculate that more than half the Florida surplus is hot money.

Customs officials say the banks have been more cooperative in recent years. But William von Raab, U.S. Commissioner of Customs, told *The New York Times* that in 1981, Florida banks did not report \$3.2 billion in cash transactions, evidence of "flagrant violations by some of the employees of many of the institutions and even by some of the institutions themselves." The practice declined briefly in 1980, after Senator William Proxmire came down hard on the banks during hearings that summer on drug-money laundering before his Committee on Banking, Housing and Urban Affairs. "But now we're back to pre-Proxmire levels," claimed an undercover agent who worked on a Miami F.B.I. sting in which the agents posed as middlemen in a laundering operation. "The bankers were delighted to deal with me when I was 'dirty,'" she continued. "Bank guards were always willing to carry crates of money into a back room with counting machines. Cash reporting requirements never hindered banks, since they could afford to pay the fines if caught."

Every Florida banker will swear his bank is clean, but as Miami banker Anthony Infante told Proxmire's committee, "Without banks . . . it would be almost impossible that these transactions would continue to happen." Infante said, "It is extremely difficult for a professional banker not to be aware of the way in which drug traffickers try to use our institutions to facilitate their illegal transactions. In twenty years as a bank officer in Florida, I have seen very few cases in which cash deposits of any substantial amount are necessary in the normal transactions of a customer."

Infante said that bankers must go beyond "the letter of the law" to solicit information about customers. In his testimony Rudolph Giuliani, a former U.S. Associate Attorney General who helped Chemical Bank stop drug-money laundering at its branches, agreed: "The law places the responsibility on banks to obtain and report [information] concerning domestic and foreign transactions." Giuliani said he found that many bank employees were ignorant of cash reporting regulations and that ignorance led to negligence—or worse. He urged closer scrutiny of customers. "Among the problems I've seen is that there were accounts maintained for drug traffickers and for others who were engaged in illegal activities under phony corporate names, and a simple visit to the business entity, the address that was given when the account was opened, would have revealed the fact that there was no such business in that location."

But many Miami bankers assert that it's none of their business where the money comes from. They apparently do not realize how seriously connections with criminals can damage an institution's reputation. "There is no doubt . . . that if the drug situation continues, the decent and respectable members of our community will eventually leave the

LERNOUX ON THE MIAMI CONNECTION

This issue of *The Nation* may be obtained at low bulk rates.

1-9 copies	\$3.00 each
10-49 copies	\$1.50 each
50-99 copies	\$1.00 each
100-499 copies	\$.75 each
500 or more copies	\$.50 each

Prepayment is required. (U.S. currency only.) N.Y.S. residents must add sales tax. Please make check or money order payable to *The Nation*, 72 Fifth Avenue, New York, NY 10011

Quantity _____ Amount enclosed _____

Name _____

Address _____

City _____ State _____ Zip _____

Phone # _____

February 18, 1984

The Nation.

195

area," Infante warned, "thereby damaging the image that Miami has been for so long trying to build as an international banking center." Alexander McW. Wolfe Jr., vice chairman of Florida's giant Southeast Bank, told me, "People will not take this place seriously as an international banking center until this hanky-panky stops."

Southeast ought to know. When confronted by the committee's evidence that a major Colombian drug-money launderer kept large deposits in his bank, president David A. Wollard sheepishly admitted that he had no information on the man. "I honestly read more about it in the paper than anyplace else," he explained. When asked whether putting some bankers behind bars would encourage their brethren to obey the law, he replied, "I can see where that would greatly stiffen the resolve of all banking officials to comply."

But no Florida banker has received a prison sentence, possibly because, as one frustrated bank regulator told me, juries "always seem to think that if the guy wears a three-piece suit, he can't be guilty of any serious crime." The Proxmire hearings and studies by the G.A.O. show that most bankers believe they risk a slap on the wrist, at worst, since regulatory agencies are unable or unwilling to stop the banks from laundering drug money.

The Absent Regulators

The Bank Secrecy Act of 1970 gave regulators a powerful tool for uncovering illegal banking transactions, but according to the G.A.O., they have not used it. The act requires banks to provide the Treasury Department with information on the depositor for cash transactions of \$10,000 or more, except in the case of a customer that has a large cash flow, for example, a big department store. The information is supposed to be filed within fifteen days of the deposit. Transfers of \$10,000 or more to foreign banks must also be reported. The G.A.O. found that a significant number of banks ignore those requirements. Some that do comply delay their reports for as long as two months after the transaction; by that time it is too late to take action. Few of the banks surveyed by the G.A.O. claimed that the reporting requirements were onerous, so excessive paperwork is no excuse for their failure to follow the law.

According to an employee of the state banking regulatory agency, most of the reports that are filed gather dust at the Treasury Department because "nobody knows what to do with them." The G.A.O. confirmed that few law enforcement agencies use the reports and blamed Treasury for failing to encourage their distribution. The Proxmire hearings revealed that divisions of the Treasury Department, including the I.R.S. and the Office of the Comptroller of the Currency, hide information from one another and from state banking regulators, the Customs Service and the D.E.A. Robert Serino, director of enforcement in the Comptroller's office, told the committee that "bank secrecy" prevents regulators from disclosing suspicious information, no matter how general, to any other agency. Given the regulators' "dismal" record on reporting cash transactions, said Senator Proxmire, it looks as though the

THE NEW YORK PUBLIC LIBRARY

PRESENTS

THE PFORZHEIMER LECTURES ON

PRINTING AND THE BOOK ARTS

Book illustration in the 18th and 19th Centuries.



TUES., FEB. 14, Three 19th Century American Literary Illustrators: Johnston, Darley and Hoppin. Georgia B. Bumgardner, American Antiquarian Society.

TUES., FEB. 21, The Artist and Photo-Mechanical Printing at the End of the 19th Century in France. Phillip Dennis Cate, Rutgers, The State University of New Jersey.

TUES., FEB. 28, Original Sun Pictures: Photographically Illustrated Books, the Early Years. Julia Van Haften, The New York Public Library.

TUES., MARCH 6, Lucien Pissarro and the Eragry Press. Alan Fern, National Portrait Gallery.

TUES., MARCH 13, Drawings for Books: The Process from Sketch to Illustration. David Becker, Museum of Fine Arts, Boston.

TUES., MARCH 20, Written On Stone: English Lithography and Literature in the Early 19th Century. Ruth Mortimer, Smith College.

Tuesday Evenings at 6 & 8 PM
Trustees Room (206) Central Research Library, 5th Ave. & 42nd St.
ADMISSION: \$2.50. LIMITED SEATING.
RESERVATIONS RECOMMENDED. CALL: 930-0855

This series has been made possible by a grant from
The Carl and Lily Pforzheimer Foundation, Inc.

JOIN THE MADRE TO MADRE CAMPAIGN

Nicaragua is suffering severe shortages due to *contra* attacks on key ports and an undeclared U.S. boycott. Supplies urgently needed. Collect funds now for fortified powdered milk and baby cereal to be distributed by Nicaraguan Women's Association. First shipment March 8, International Women's Day.



MADRE

Joining hands and hearts
with mothers and children
of Central America
and the Caribbean

Clip and return to MADRE TO MADRE,
853 Broadway, Room 905, New York,
NY 10003 or call (212) 777-6470.

Enclosed is my contribution of \$_____ to support the work of MADRE. Please use my contribution to buy milk and cereal. (For a tax-deductible contribution of \$50 or more, please make check to W.I.R.E./MADRE (Women's International Resource Exchange).

____ Please send me more information about the work of MADRE.

____ I would like to work with MADRE.

Name _____

Address _____

City _____

State _____ Zip _____

Phone _____

regulators use bank secrecy to protect violators. Paul Homan, then deputy comptroller in the Comptroller's office, told the Proxmire committee that regulators are not zealous in cracking down on laundering by the banks because drug-money deposits have no effect on a bank's "financial safety and soundness." According to Homan, "So long as the bank invests those deposits in overnight money and is able to cover when the deposits are withdrawn, there is no financial threat to the bank other than the peripheral one of perhaps affecting the confidence that people have in it, because of known associations with criminals." In other words, the fact that a bank does business with criminals, or is owned by them, is of minor importance to the overseers of the nation's banks.

Unable to prod bank regulators into action, the enforcement division of the Treasury Department has initiated a series of joint task forces in conjunction with the Justice Department, using reports filed in accordance with the Bank Secrecy Act to identify individuals and organizations involved in laundering drug money. Modest in scope and relatively new, those operations mark the first successful attempt to take the profits out of drug trafficking. They have also provided an education in how money is laundered.

Isaac Kattan, the Colombian drug-money launderer apprehended by Operation Greenback, ran a sizable operation in Miami. (Kattan was given thirty years in prison for cocaine trafficking, one of the few harsh sentences received by a Florida dealer.) Although he dealt in hundreds of millions of dollars, Kattan's methods were crude compared with those of the top dealers. As go-between for Colombian drug suppliers and U.S. buyers, Kattan received instructions, usually by telephone, to pick up payments for drugs in Miami parking lots, restaurants, alleys and even on busy Biscayne Boulevard. He and his Latin helpers lugged the cash to his apartment, which was equipped with five counting machines, a computer and a telex. When the money had been sorted and stacked neatly in cardboard boxes, Kattan took it to one of his friendly Miami banks for deposit, using a currency-exchange business run by his Miami travel agency as a cover. The money was either telexed from the bank to a Colombian currency-exchange house or was sent on a more roundabout route through a brokerage firm or real estate operation. When the dollars arrived in Colombia, the exchange house converted them to pesos, usually on the black market. For those services Kattan, like other middlemen in the drug trade, collected a stiff fee. Task force agents estimated that Kattan's Swiss bank account stash was worth more than \$100 million.

Since it is the source of three-quarters of the cocaine and marijuana entering the United States, Colombia plays a key role in laundering. The principal exchange houses used for that purpose there are located in Barranquilla (marijuana), a coastal town on the Caribbean, and Medellin (cocaine), the second largest city. The more sophisticated operations include a network of offshore banks in Panama, the Bahamas and the Cayman Islands, as well as dummy companies incorporated in Panama and the Netherlands Antilles. The idea is to create so many zigs and zags of intermediary stops

that it is virtually impossible to trace the paper trail out of, and often back into, the United States. Kattan got caught because he made only perfunctory attempts to hide his trail. He often carried boxes of cash to the bank, and he broke a cardinal rule of money launderers by dealing dope. But he made his biggest mistake by relying on the discretion of the Miami office of the brokerage firm Donaldson, Lufkin and Jenrette, which alerted the D.E.A. that suspiciously large amounts of money were moving through one of its accounts.

Smelly Money

That firm's scruples contrasted sharply with those of four Miami banks with which Kattan also did business: Great American Bank, the Bank of Miami, Northside Bank of Miami and the Popular Bank and Trust Company. When Federal agents raided the Bank of Miami in 1981, they found that bank employees had been switching funds from one of Kattan's accounts to another. According to the investigators, Kattan and members of his organization regularly hauled huge sums of money to the Bank of Miami and the Great American Bank (\$60 million to the latter in just over a year). In an affidavit, an agent testified that he once heard Kattan apologize to Great American Bank official Carlos Nuñez for a suspicious-looking transaction. "Don't worry—the main thing now is to count the money," Nuñez assured him.

During a concurrent raid on the Great American Bank, agents found a number of other irregularities, according to court documents. An article in the July 20, 1981, *Newsweek* summed up their discoveries:

Large cash deposits were sometimes taken to the bank's installment-loan department . . . and the depositors would be given a cashier's check; the cash was then logged in as the bank's own money. Pages of the cash-deposit log and some cashier's checks were missing. When questioned about the practice, Nuñez said that a bank vice president, Lionel Paytuby, had approved the procedure as a favor to special customers. One bank employee told authorities that Latins bearing cardboard boxes arrived almost daily at the bank. Agents said that bank employees assigned to count the money sometimes complained that the bills were wet or smelly—as if they had been buried.

While bank officials complained that the task force raiders had "descended on the bank en masse like storm troopers," there was a hollowness to the complaint. Before the raid, the Bank of Miami had been identified by a Treasury Department report as an institution frequently used by drug dealers to launder their cash. As for the Great American Bank, it was again in the news in late 1982 when Paytuby and three other bankers were arrested by the D.E.A. on charges of operating a giant laundering operation, which involved forty-one domestic and five foreign bank accounts. The bank was charged with laundering \$94 million in dope profits over a fourteen-month period. The twenty-one-count indictment marks the first time a South Florida bank has been charged with laundering; if convicted the bank could be fined up to \$6.1 million. John Walker, the Treasury Department's chief of enforcement, told reporters the

Great American Bank was indicted because it had consistently failed to fulfill currency reporting requirements and that this failure "wasn't due to the actions of an isolated employee but was, in fact, a bank practice."

Cashier's checks are probably used most commonly in money-laundering transactions. They are safer to carry than cash and harder to trace than ordinary checks, because they do not have to bear the payee's name and address. The checks frequently change hands eight or nine times before returning to the bank, and they are common currency on the black markets of drug-producing countries. According to bankers, any bank that has more than 3 percent of its deposits in such checks is likely to be engaged in a laundering operation. In 1980, according to the Proxmire committee's report, two dozen Miami banks held a higher percentage.

Not coincidentally, many Florida banks implicated in the drug traffic are controlled by Latins. While some have unblemished reputations, more than a third of the twenty-one South Florida banks owned by Latins have been suspected of laundering by U.S. authorities. One such is Continental National Bank, founded in 1974, the first Miami bank to be owned and managed entirely by Cuban exiles.

The first indication that Continental was accepting large dope-money deposits came in 1978, when the Customs Service and the Treasury Department uncovered a laundering operation run by a well-known Colombian narcotics dealer, Arturo Fernández, who worked with Isaac Kattan. Eight banks were involved, but the largest portion of the money—\$95 million—had been deposited in Continental. Fernández had made most of his early transactions with the Bank of Miami and the Canadian Royal Trust Bank of Miami, but when Orlando Arrebola, a Bank of Miami official who knew Fernández, moved to Continental as a vice president, Fernández switched most of his accounts to that bank. There, according to government investigators, he usually dealt with Arrebola. The banker was charged with laundering drug money but was acquitted when a Miami jury ruled that tape recordings of Arrebola's conversations with undercover F.B.I. agents were insufficient proof of his involvement in a conspiracy. The undercover agents claimed that Arrebola had helped them open an account at Continental and had counseled them on laundering money. According to Arrebola's attorney, the banker may have had reason to suspect that drugs were the source of the money pouring into Continental, but the government's case fell far short of proving anything more than that. "His intent was merely to do his job well at his bank; his intent was to further the business of the bank," the lawyer claimed in *The Herald*, although he admitted that Arrebola's actions might have "helped the conspiracy along."

There appears to be some truth in the lawyer's contention that Arrebola was just doing his job. In a 1978 report to the Comptroller of the Currency, a Florida bank examiner said he had informed Continental's management that even if the bank "is in compliance with the reporting regulations, some of the transactions may involve the laundering of illicit moneys," and he went on to cite thirty-four such cases. But, said the examiner, Continental's management "does not in-

tend to discourage" such transactions "since a fee is levied for the handling of these deposits."

As any banker will point out, it is management's responsibility to see that employees comply with the law. Bankers also admit that compliance involves more than filling out forms; it means that the banks must not engage in activities that the law is intended to prevent. But Continental's vice chairman, Bernardo Benes, told NBC News that it is enough to fulfill the letter of the law: "It's not really up to bankers to become investigators of customers."

More than carelessness or complacency is to blame for that attitude. Senator Proxmire's statement four years ago still holds true: "Many banks are addicted to drug money, just as millions of Americans are addicted to drugs."

A Mirror of the United States

Driving northwest through the Everglades on Highway 41, one feels a great sense of relief at having escaped the gaudy, violent world of Miami. Midway to Naples, there's a gas station with a ham-and-eggs joint that caters to the redneck trade and identifies itself as a checkpoint on the border between alien South Florida and the rest of the country. A sign on the wall announces, "Will the last American leaving South Florida please bring the flag!"

But Miami is as much a reflection of the United States as it is an extension of Latin America. Without the social acceptance that has made organized crime the biggest industry in the United States, gangsters like Lansky and Trafficante could not have flourished in Miami. Unfortunately, there is no quick fix for the evils generated by the Miami connection. Moral leadership is lacking in a nation that accepts and even admires Mafia godfathers, and whose President has unleashed C.I.A.-backed *contras* against Nicaragua's revolution just as the Kennedy Administration encouraged anti-Castro *contras* in the early 1960s—some of whom sit atop Miami's big candy mountain of drug money.

Remedial action can be taken in certain areas—enforcing the laws against bank laundering of drug money, for example. But the C.I.A.-mob-narcotics connection will not be broken by this Administration.

Would a Democratic Administration change things? Not likely. The party has proved itself as myopic as the Republicans when it comes to understanding the social and economic roots of pervasive drug use in America. Latin Americans, at least, are less hypocritical about it. As the Colombians say, cocaine is good for the economy. Many Miami-ans would agree, in private.

The response from Washington has been and will probably continue to be "political posturing," in the words of Lester Wolff, former chairman of the House Select Committee on Narcotics Abuse and Control. The Federal government has "declared so many wars on drugs," Wolff said, "that if we lost that many wars, the United States wouldn't be around." Perhaps the loss of all those wars against drugs has deeper implications than we realize. Has so many principles been sacrificed to greed and *Realpolitik* that the nation is in spiritual ruin? It is a question few Americans care to ask.